

## Message Text

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ORIGIN ARA-20

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DRAFTED BY ARA/BR:JSLATTERY:TR  
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R 101430Z JUN 74  
FM SECSTATE WASHDC  
TO AMEMBASSY BRASILIA  
INFO AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO

UNCLAS STATE 121905

E.O. 11652:N/A  
TAGS:BEXP, BR  
SUBJECT:STATE TRADE PROMOTION OFFICES  
REF: A. BRASILIA 3786, B. BRASILIA 3300, C. BRASILIA 2466

1. DEPARTMENT HAS EXPLORED POSSIBILITY OF REQUESTING SPECIAL PRIVILEGES FOR STATE TRADE PROMOTION OFFICES, AS ORIGINALLY REQUESTED BY STATE OF ILLINOIS AND GRANTED BY PREVIOUS BRAZILIAN GOVERNMENT TO ONTARIO. IN VIEW OF NEW GOVERNMENT'S RELUCTANCE TO GRANT PRIVILEGES TO ANY NEW STATE TRADE OFFICES, AND OUR OWN INABILITY TO RECIPROCATATE SHOULD ANY BRAZILIAN STATE WISH TO SET UP A SIMILAR OFFICE IN THE US, DEPARTMENT AGREES THAT EMBASSY SHOULD NOT REPEAT NOT REQUEST GOB TO GRANT SPECIAL PRIVILEGES FOR SUCH OFFICES.

2. DESK HAS INFORMED ILLINOIS STATE DEPT. OF ECONOMIC DEVELOPMENT OF APPARENT CHANGE IN GOB POLICY REGARDING SPECIAL PRIVILEGES. HOWEVER, UNLIKE GEORGIA, ILLINOIS WOULD LIKE TO HAVE ITS REPRESENTATIVE IN BRAZIL OPERATE NOT REPEAT NOT ON FEE BASIS BUT AS STATE EMPLOYEE AND WOULD LIKE TO MAINTAIN BANK ACCOUNTS IN BRAZIL FROM WHICH TO PAY OFFICE EXPENSES. ILLINOIS WOULD NEVERTHELESS HOPE TO AVOID HAVING TO PAY BRAZILIAN TAXES ON STATE FUNDS SENT TO

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BRAZIL FOR OPERATION OF ITS OFFICE, AS WELL AS AVOID

INCORPORATION IN BRAZIL, SINCE EITHER OF THESE SITUATIONS WOULD CONFLICT WITH STATE REGULATIONS. REQUEST EMBASSY'S ADVICE HOW STATE MIGHT PROCEED TO OBTAIN TAX-FREE STATUS UNDER THESE CONDITIONS.

3. DEPARTMENT CONCURS IN EMBASSY INITIATING PROCEDURES DESCRIBED IN PARAGRAPHS 4C AND 7 OF REFTEL C RE GEORGIA REQUEST. DESK HAS INFORMED GEORGIA COMMUNITY DEVELOPMENT REPRESENTATIVE (DEPUTY COMMISSIONER RICHARD ALLEN) OF FONOFF REQUIREMENTS AS DESCRIBED IN PARAGRAPH 3 OF REFTEL A, AND STATE OF GEORGIA WILL SEND LETTER TO DEPARTMENT MAKING FORMAL REQUEST FOR USG ASSISTANCE IN OBTAINING GOB APPROVAL FOR ITS OFFICE.

4. IN ADDITION, STATE OF VIRGINIA HAS WRITTEN DEPARTMENT STATING THAT VIRGINIA PORT AUTHORITY PLANS ESTABLISH TRADE DEVELOPMENT OFFICE IN SAO PAULO AND THAT FAMILIARIZATION TRIP WILL BE UNDERTAKEN IN NEAR FUTURE. (COPY OF LETTER BEING POUCHED.) DESK HAS ALSO SPOKEN WITH JOHN NIX AND EDWARD MCCASKEY OF VIRGINIA PORT AUTHORITY, ONE OF WHOM MAY BE TRAVELING TO BRAZIL IN MONTH OR SO, ABOUT PROCEDURES FOR ESTABLISHING OFFICE THERE. SUGGEST EMBASSY COMMUNICATE TO GOB VIRGINIA'S REQUEST TO ESTABLISH OFFICE. SISCOE

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